Statewide Health Insurance Benefits Advisors (SHIBA)

SHIBA
OFFICE of the
INSURANCE
COMMISSIONER
WASHINGTON STATE

Introduction / thank you

- Introduction / thank you

Tim Smolen
SHIBA Program Manager
360.725.7091
tim.smolen@oic.wa.gov

Program 1:

- I've got UMP and I *might* change for 2024.

Program 2:

- I'm in Medicare with PEBB as my 'other insurance besides Medicare' and I want to compare my options.

Program 3:

- I'm enrolled in Medicare and PEBB and I'd like to know more about how it works – and what comes next

Outline for Program 3

- How did we get here?
  - Rate making
  - CMS rules
  - Risk pools
- Where are we going next?
- What can you do, now?
  - Consider your needs
  - Research options and know the deadlines and forms
  - Get expert help
  - Be at peace with your decision

Change is hard – there is help

- You might feel scared or angry or confused or sad.
- You don't <u>have</u> to make a change at all. That's OK.
- There is no right answer or same answer for everyone.
- We're not trying to influence your choice.
- Our goal is just to provide some tools and resources.

Why this program and these presenters?

- Invited by RPEC
- Experts with Medicare and other insurance
- Changes in Medicare
- Rate increase for UMP
- We are in addition to *not* instead of other resources
  - HCA
  - Health plans
  - CMS

Foundations #1

You are enrolled in Medicare Part A and Medicare Part and all those covered services are part of the package of benefits you get

- You pay a monthly Part B premium to help offset the cost of these claims

Foundations #2

You elect other PEBB coverage besides Medicare – some plans have more protection and some have less

- The general rule that more insurance costs more holds true
- However, the monthly premium for each plan is **not** a reliable indicator of the amount of insurance
- There are other forces in play

Foundations #3

Considering premium rates and premium rate increases, the current trends are likely to hold

- They may even accelerate, in the short-term
- Although you may not favor this system it is *rational*

PEBB Medicare Retiree portfolio

Plan	Amount
Kaiser NW Senior Advantage Proposed	$2,327.40
Kaiser WA Medicare Advantage & Original Medicare Proposed	$2,263.44
UMP Classic Medicare Proposed	$6,395.28
UnitedHealthcare (MA-PD) PEBB Complete Proposed	$1,926.96
UnitedHealthcare (MA-PD) PEBB Balance Proposed	$1,627.80
Premera Medicare Supplement Plan F Retired	$1,428.60
Premera Medicare Supplement Plan F Disabled	$2,489.40
Premera Medicare Supplement Plan G Retired	$1,223.88
Premera Medicare Supplement Plan G Disabled	$2,030.40

What is the value?

- you **can't** equate the monthly premium to the value of the plan
- when I talk about value I mean at the level of the whole group, not for any one person
- the value of the plan is personal: some people care more about some things than other things

Other forces

- explicit subsidy
- CMS rules
- risk pools

Time for some math

- Let's talk about price and value – they are <u>not</u> the same
- The *general* rule is more protection implies a higher premium or a higher premium implies more protection.
    - By more protection, we mean is less out-of-pocket spending, by you, for medically-needed care.

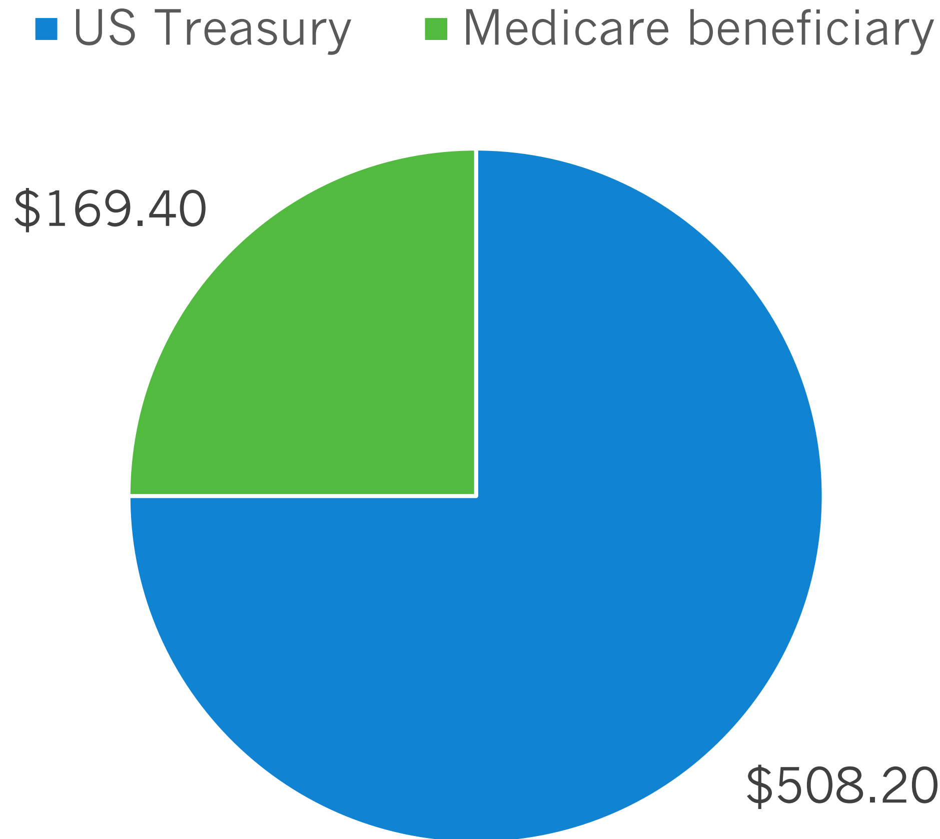
Making rates, Part 1: Medicare Part B

- Start with the current experience of the current pool of beneficiaries
  - How much more it will cost to pay claims for them next year?
- Consider changes in the pool – some people leave, some people join
  - What will their claims costs be – relative to the people still in the pool?
- Calculate the monthly premium for each person, based on the federal subsidy amount

Medicare Part B math

'Annualized' revenue - overall	$ 528 billion
'Annualized' revenue - beneficiaries	$132 billion
Number of people	65 million
Per beneficiary per month	$ 169.40

Medicare premium in context



Why does this matter?

It is the foundation for explaining rates for all the HCA PEBB Medicare retiree plans.

Practically speaking, this **is** how rates are made for the UMP.

Making the 'bid rate' for UMP

Step 1: calculate the cost of the entire package of benefits – what Medicare pays for claims *plus* what UMP pays for claims

Step 2: subtract the payments that Medicare makes to providers for covered services (Part A, Part B)

Step 3: this is the UMP "bid rate"

Step 4: apply the explicit Medicare subsidy

Final: based on this rate for a subscriber premium, calculate all the other rates for dependents

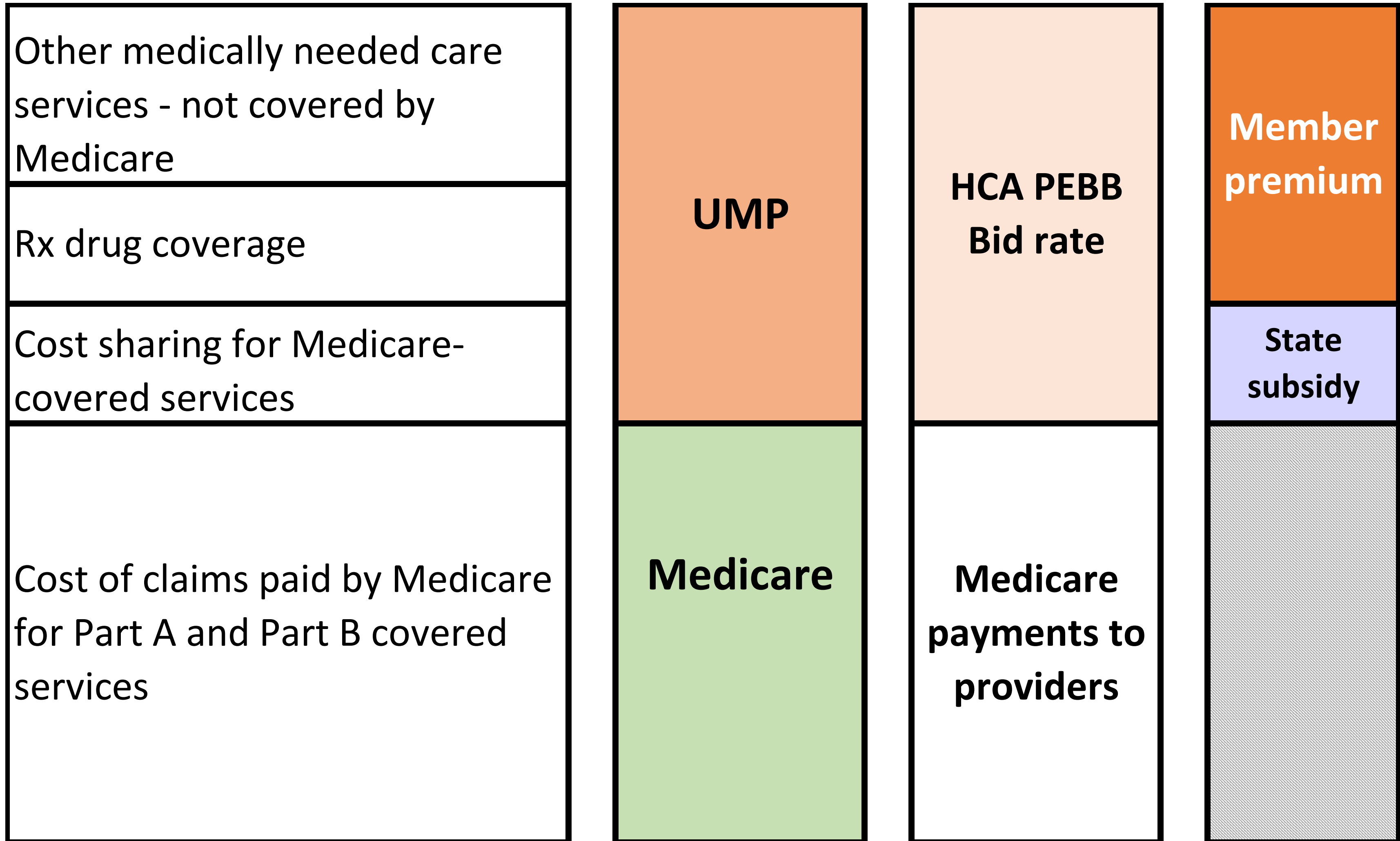
Sample math for UMP

			UMP
a		**Package**: Projected cost of claims ($)	$ 1,400
b		CMS payments to providers for Medicare Part A, Part B covered services	$ 684.06
c	a-b	**UMP**: Projected cost of claims ($)	$ 715.94
		Bid rate	$ 715.94
		PEBB Explicit Medicare Subsidy	$ 183.00
		Per subscriber per month	$ 532.94

State subsidy for the premium rate

	UMP	Plan G Retired	
Bid rate	$ 715.94	$ 198.02	362%
PEBB Medicare Explicit Subsidy	$ 183.00	$ 96.03	
Per subscriber per month	$ 532.94	$ 101.99	523%

Illustrated math for UMP premium



The numbers can "*deceive*' us

Before we turn back to math, let me make the observation that we should be <u>very</u> careful about equating the premium we pay to the value of the package – in general or for us, now.

This 'math' does <u>not</u> work – and it can deceive us.

Thought experiment #1

If the UMP bid rate = $715, about equal to claims costs after Medicare, what will be bid rate for Medicare Supplement Plan G ?

- $150
- $300
- $600

Compare UMP, Medicare Supplement

Coverage				
Other medically needed care services - not covered by Medicare	**UMP**	**HCA PEBB Bid rate**	**n/a**	**n/a**
Rx drug coverage				
Cost sharing for Medicare-covered services			**Plan G**	**HCA PEBB Bid rate**
Cost of claims paid by Medicare for Part A and Part B covered services	**Medicare**	**Medicare payments to providers**	**Medicare**	**Medicare payments to providers**

UMP rate-making in context #1

	Math		UMP	Plan G Retired
a		**Package**: Projected cost of claims ($)	"larger"	"smaller"
b		CMS payments **to providers** for Medicare Part A, Part B covered services		
c	a-b	**Plan**: Projected cost of claims ($)	X	Y
d		**Plan**: Projected administrative costs ($)		
e		**Plan**: Target margin (or change in reserve)		
f	c+d+e	Sum = revenue needed for group	**X**	**Y**
		Number of people		
		Bid rate	$ 715.94	$ 198.02

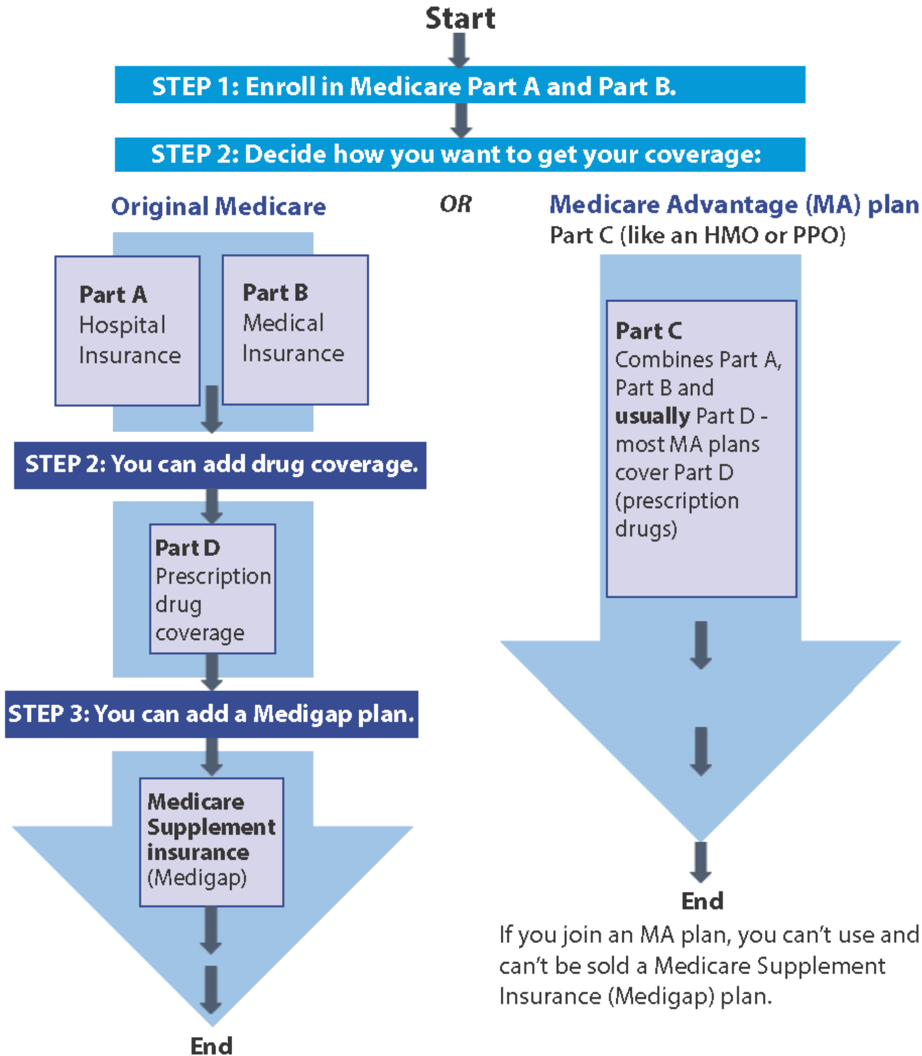
Explicit subsidy

			UMP	Plan G Retired	
			"larger"	"smaller"	
a		**Package**: Projected cost of claims ($)			
b		CMS payments **to providers** for Medicare Part A, Part B covered services			
c	a-b	**Plan**: Projected cost of claims ($)	X	Y	
d		**Plan**: Projected administrative costs ($)			
e		**Plan**: Target margin (or change in reserve)			
		Bid rate	$ 715.94	$ 198.02	362%
		PEBB Explicit Medicare Subsidy	$ 183.00	$ 96.03	
		Per subscriber per month	$ 532.94	$ 101.99	523%

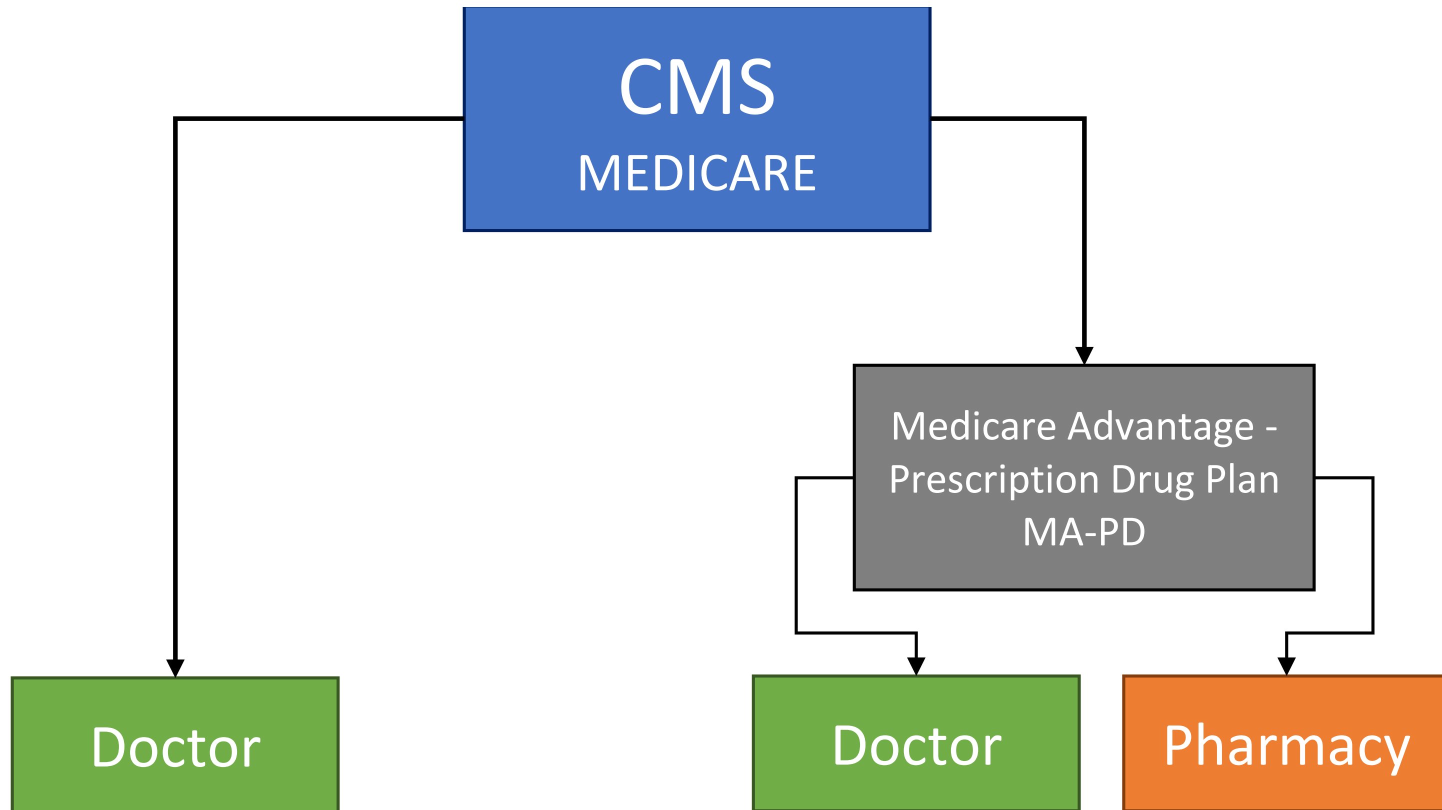
Rate models

1. UMP: self-funded, self-insured pool; negotiated provider contracts
2. MedSupp: they bear risk; Medicare contracts providers
3. MA-PD plans: they bear risk; negotiated contracts with CMS and with providers

Original Medicare or Medicare Advantage?



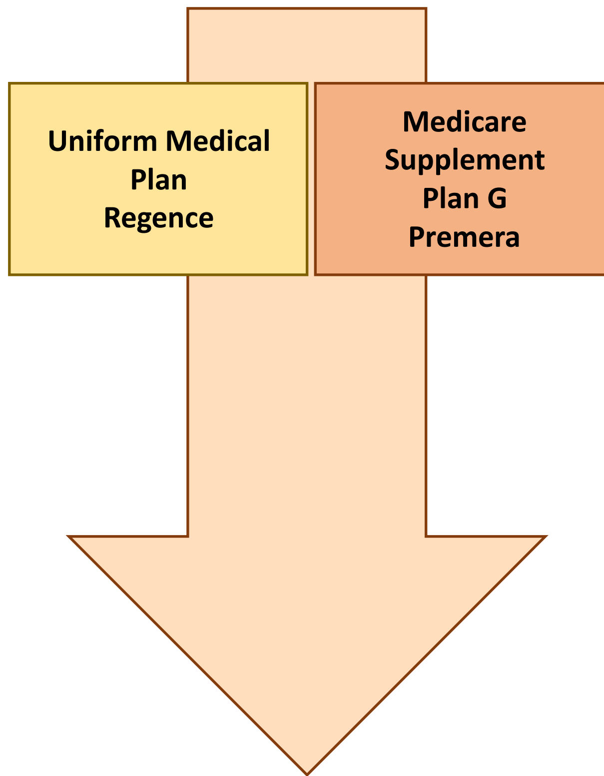
Medicare reimbursement

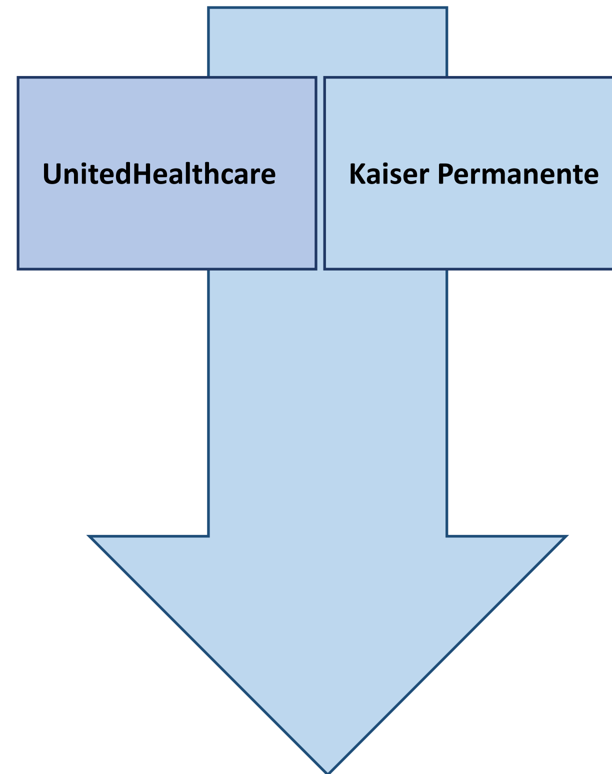


HCA PEBB Portfolio in context

Alternative approaches to 'other insurance besides Medicare'

Original Medicare	*OR*	Medicare Advantage





Making the rate for the MA-PD plan

Step 1: calculate the cost of the entire package of benefits

Step 2: subtract the payments that Medicare makes to the MA-PD plan

Step 3: this is the HCA PEBB "bid rate"

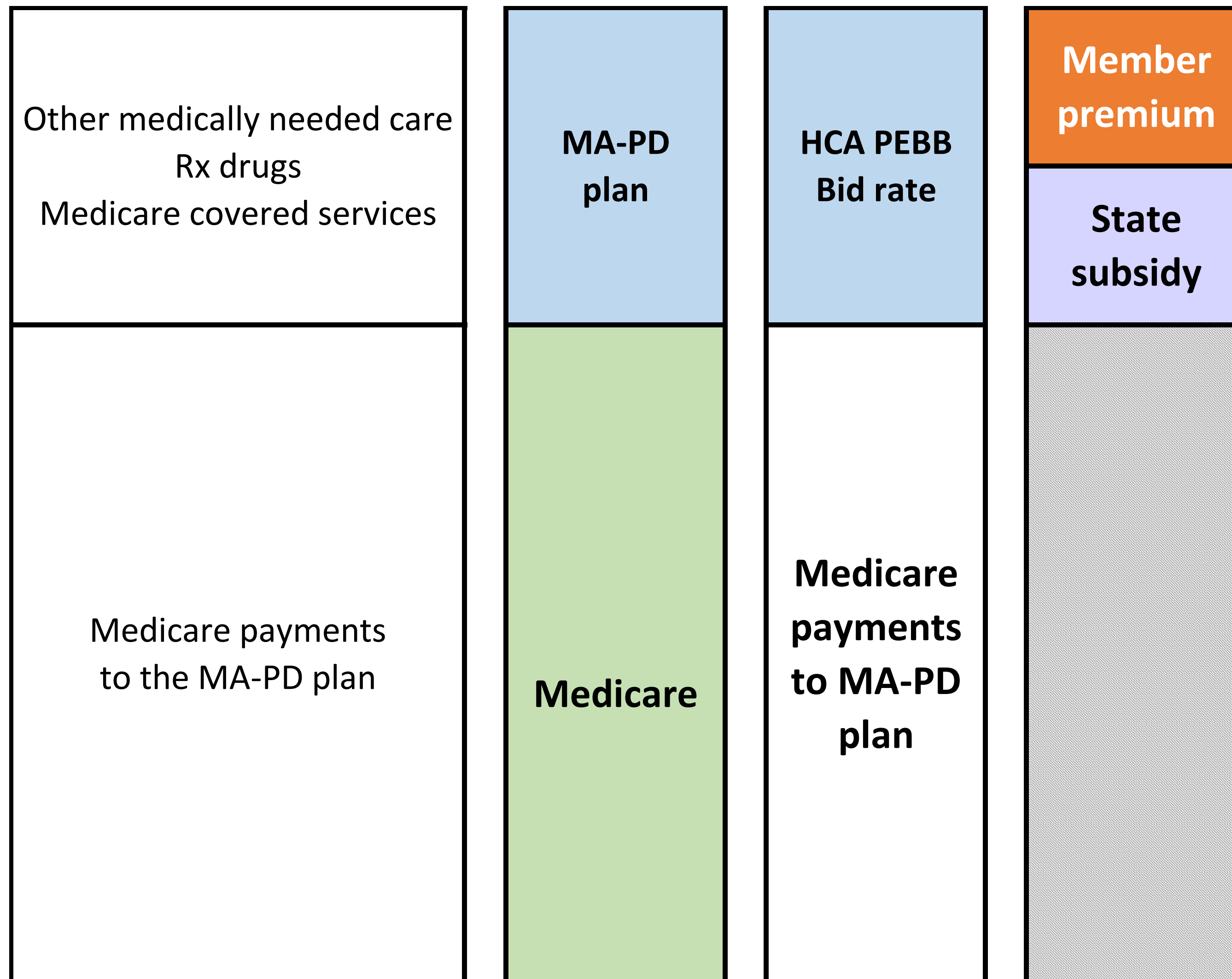
Step 4: apply the explicit Medicare subsidy

Final: based on this rate for a subscriber premium, calculate all the other rates for dependents

Sample math for MA-PD plan

			MA-PD
a		**Package**: Projected cost of claims ($)	$ 1,200
c		CMS payments **to MA-PD plan**	$ 900
c	a-c	**Plan**: Projected cost of claims ($)	$ 300
d		**Plan**: Projected administrative costs ($)	
e		**Plan**: Target margin (or change in reserve)	
		Bid rate	$ 300
		PEBB Explicit Medicare Subsidy	$ 150
		Per subscriber per month	$ 150

Illustrated math for MA-PD premium



Compare and contrast

			UMP	MA-PD plan
a		**Package**: Projected cost of claims ($)	$ 1,400	$ 1,200
b		CMS payments **to providers**	$ 684.06	$ -
c		CMS payments **to MA-PD plan**	$ -	$ 900
c	a-b (or) a-c	**Plan**: Projected cost of claims ($)	$ 715.94	$ 300
d		**Plan**: Projected administrative costs ($)		
e		**Plan**: Target margin (or change in reserve)	$ -	$ -
		Bid rate	$ 715.94	$ 300
		PEBB Explicit Medicare Subsidy	$ 183.00	$ 150
		Per subscriber per month	$ 532.94	$ 150

CMS rules

		UMP	MA-PD plan
Claims		$ 1,400	$ 1,200
Medicare payments		$ 684.06	$ -
		$ -	$ 900
Bid rate		$ 715.94	$ 300
Effect of CMS payments on bid rate	$	$ (684.06)	$ (900)
	%	-49%	-75%

117%

239%

Actuarial value

- Full SSA retirement at 67, reduced payment at 62, increased payment at 70
- Over the course of my expected lifetime, based not on me, but on everybody, this would pay out the same value over the entire time

2024 Medicare Supplement Plan G

	Premera Plan F	Premera Plan G		
Bid rate	$ 232.14	$ 198.02		117%
PEBB Explicit Medicare Subsidy	$ 113.09	$ 96.03		
Per subscriber per month	$ 119.05	$ 101.99		
'Annualized' premium	$ 1,428.60	$ 1,223.88	$ 204.72	Part B deductible
				117%

Pause break

UMP	$1,400		Plan F	$232
MA-PD	$1,200		Plan G	$198
Relative Cost	117%		Relative Cost	117%

Risk pools matter

	Plan G **Disabled**	Plan G **Retired**
Bid rate	$ 332.45	$ 198.02
PEBB Explicit Medicare Subsidy	$ 163.25	$ 96.03
Per subscriber per month	$ 169.20	$ 101.99

Original Medicare

- In general, the bid rate is a *pretty* good indicator of the value of the plan (at a population level), in a way that the subsidy rate is not
- Be aware of risky-ness in the pool

MA-PD plans

- The bid rate is what the insurance plan needs to collect from subscribers, in the form of premium
- The reduced cost of the entire package for other things - like your POS cost-sharing — is already baked in the cake
- Also baked in are all kinds of other assumptions and factors - more another time

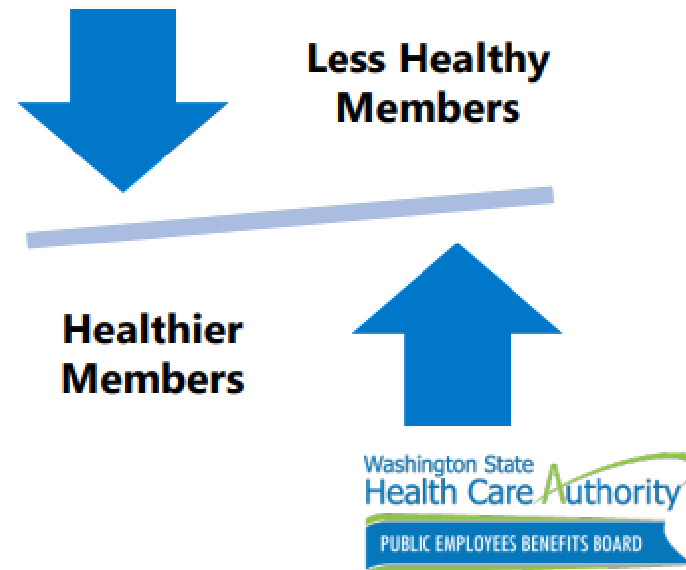
Rx drugs

- UMP looks a lot like a MA-PD plan
- The differences are about the details
- Those matter and it's absolutely worth investigating
  - It's not super-easy (sorry)

HCA PEBB Briefing

Enrollment Shift Analysis

- Nearly 10,000 members exited UMP Classic Medicare for plan year 2023
- Milliman used a clinical risk grouping tool to determine the health of the members who were retained, and their relative costs
- The cost impact of this enrollment shift is included in the 2024 UMP Classic Medicare rate



Contrived example

Current premium rate = $517

- Medical inflation equals 5%
- Risky-ness increases 10% after enrollment shifts
- More expenses are not offset by Medicare payments: 5% more in bid rate
  - Rx drugs, other medically needed services
- Subsidy is unchanged

End rate = $706

Contrived math

	Year 1	Year 2
Package: Projected cost of claims ($)	$ 1,400	$ 1,617
CMS payments **to providers**	$ 700	$ 728
Plan: Projected cost of claims ($)	$ 700	$ 889
Bid rate	$ 700	$ 889
PEBB Explicit Medicare Subsidy	$ 183	$ 183
Per subscriber per month	$ 517	$ 706

Reality check

- Besides the premium, other things do matter so much that people will continue to pay quite a lot to bear the rate increases.
  - That's OK. It's what they concluded.
- Our purpose is not persuasion or influence, it's just education and awareness.

Rx drugs - key concepts

- Can I get it at all?
  - This is the foundational concept of a formulary
- Do I pay more for some kinds of drugs than others that are ‘comparable’?
  - Everyone understands about brand v generic – this concept might be called “biosimilar” in the plan descriptions.
- Do I have to try other comparable drugs, first, or face limits on my use of these drugs?
  - Step therapy is a kind of prior authorization
  - Quantity limits often relate to drugs related to addiction

Provider relations

1. Can keep who I have – or if I need to change, can I choose whomever I want?
2. Can I refer myself <u>or</u> it's managed, restricted, directed, prior authorization, referrals, etc.
   1. Is there a limited network or penalties for out-of-network?

- Start with the published provider directory, but don’t stop there
- Talk with the person in charge – typically, not the provider
- Be clear: Medicare beneficiary
  - with HCA PEBB coverage as secondary insurance
    - Uniform Medical Plan (*or other PEBB plan, of course)*
- Changes do happen -- be persistent and be patient, too

Some scenarios

Person A:

The cost matters, of course, but not nearly as much as the provider I have or want: I need **this** provider or program.

Person B:

I am willing to consider another provider or program, **if** I can save a significant amount of money.

Person C:

The cost matters to me, but mainly I care about the model for care: access, coordination of care.

Example: Medicare retiree with Kaiser

I’m with Kaiser and I’m staying there. For me, it’s about all of these things, in combination.

- Premium
- Doctor
- Model of care
- Overall satisfaction
- Don’t prefer to make a change, now

Practical questions

- All things considered *is* this a much better plan?
- Is it a much better plan for you, now?
  - Considering your other priorities and preferences

the difference in final premium rates is absolutely <u>not</u> only about the benefit design

This is ‘other insurance besides Medicare’

- You are making an investment decision.
- You make choices *like* this with other insurance products all the time.
- Yes, this can feel different; in fact, it IS different. And it also very much the same analysis, too.

Challenges happen

- We all struggle – all the time
  - Some people struggle harder – all of the time

- There is help for people with low monthly income
  - We're striving to reach them
  - Please help us

Medicare Savings Programs

- Help to pay Medicare costs
  - Pays Medicare Part B monthly premium ($164.90)
  - May pay Medicare deductibles and coinsurance

https://www.washingtonconnection.org/home/

Extra Help

- LIS: low-income subsidy
  - For Medicare Part D, prescription drug plan costs

https://www.washingtonconnection.org/home

Dental & other post-employment benefits

- Please consult with HCA
- The benefits that are advertised by private market MA plans are very limited – and you'd be leaving PEBB, too
- Start by talking with your current, trusted provider

Washington today

In 2020, there are about 1,295,900 people ages 65 and older. This represents 17% of Washington's total population.

By 2050, we forecast that the elderly population will reach 2,281,200. This represents 23% of the state's total population. (OFM)

Medicare by the numbers

Medicare Accounts for 21% of National Health Spending and 10% of the Federal Budget

Decision-making

	Traditional Medicare	Medicare Advantage
Insurance brokers	30%	31%
Friends and family	14%	20%
Medicare hotline or Medicare.gov	5%	9%
Advertisement on TV or somewhere else	3%	7%
State health insurance assistance program	5%	4%
Did not receive help	45%	37%

PEBB Open Enrollment

What changes can I make during open enrollment?

Our annual open enrollment is held in the fall. To make any of the changes below, we must receive the req
The change will become effective January 1 of the next year.

- Change medical or dental plans.
- Add dental coverage.
- Enroll or remove eligible dependents.
- Defer your PEBB retiree insurance coverage.
- End your PEBB retiree insurance coverage.
- Enroll if you deferred in the past.
  You must provide proof of continuous enrollment in one or more qualifying medical coverages to re
  have a gap of 31 days or less between the date you defer your PEBB coverage and the start date of
  We encourage you to collect proof of coverage annually and keep a file to provide to the PEBB Prog

How do I defer?

If you are a retiree eligible to defer, this page will help you understand the criteria you must meet and what you need to do, by when, to defer PEBB retiree insurance coverage. You may choose to defer when you first become eligible for PEBB retiree insurance coverage or after you enroll.

https://www.hca.wa.gov/employee-retiree-benefits/retirees/how-do-i-defer

Benefits Fairs

Benefits Fairs

https://www.hca.wa.gov/employee-retiree-benefits/benefits-fairs-pebb

Virtual Benefits Fairs

Virtual Benefits Fairs

https://www.hca.wa.gov/employee-retiree-benefits/pebb-virtual-benefits-fair/medicare-retirees-and-cobra-subscribers

Open enrollment webinars (PEBB)

Open enrollment webinars (PEBB)

https://www.hca.wa.gov/employee-retiree-benefits/open-enrollment-webinars-pebb

Glossary

https://www.healthcare.gov/sbc-glossary/

https://www.cms.gov/glossary